

July 13, 2006

Via Federal Express & Electronic Mail

Pamela J. O'Connell
California Department of Insurance
Market Conduct Division
Field Rating & Underwriting Bureau (SAC/LA)
300 Capitol Mall, 16th Floor
Sacramento, CA 95814

Re: Transamerica Occidental Life Insurance Company's Response to the
California Department of Insurance's Final Report of its Rating and
Underwriting Examination.

Dear Ms. O'Connell:

Thank you for your continued time and efforts regarding the Examination Report relating to Transamerica Occidental Life Insurance Company's ("TOLIC") Rating and Underwriting Exam ("Final Report").

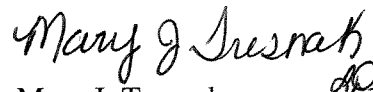
In August of 2002, TOLIC implemented an extensive self-audit process, on its own initiative, in order to review the underwriting practices in its historical blocks of business, including acquisition business, focusing specifically on policies issued prior to 1966. The purpose of the self-audit process was to identify any policy within TOLIC's possession, custody or control that may have contained underwriting anomalies. The self-audit process involved physically reviewing each individual policy file within TOLIC's possession, custody or control that contained any underwriting information for policies issued before January 1, 1966. TOLIC's self-audit was underway when it received California Department of Insurance's notice of examination in October 2003. TOLIC was instructed by the Department not to initiate the remediation efforts that TOLIC had planned to implement beginning in December 2003. By the end of the self-audit process, TOLIC reviewed well over 5,000 boxes of files, at an expense in excess of \$1,400,000, in addition to internal costs and expenses associated with creating, maintaining and managing the self-audit process. Over 200,000 individual policy files were reviewed as part of the self-audit process, and the review itself exceeded 3 years in duration.

The self-audit process, as outlined in the Final Report, resulted in TOLIC identifying an exceptionally small number of policies, less than .001% of the policies reviewed, that contained any underwriting variances. The self-audit confirmed that TOLIC did not automatically rate individuals based solely on their racial extraction. The vast majority of policies reviewed did not evidence any higher premiums assessed or charged based upon an applicant's race.

TOLIC is gratified that the Department's examination has confirmed not only the methodology of the self-audit, but also its results. Upon receiving approval from the California Department of Insurance of its remediation plan, TOLIC will begin remediating the files identified during the self-audit.

Once again, we would like to thank the Department for its attention to detail and consideration during this Examination.

Sincerely,


Mary J. Tresnak
Counsel

MJT/lkd